



CA DK-38-14 (922.

January 10, 1990

CERTIFIED--RETURN RECEIPT REQUESTED

DECISION

Mr. D. Scott Frizzell, Land Manager)	<u>SDR No. 922-90-01</u>
Quanterra Alpha Limited Partnership)	
Quanterra Energy Corporation)	
550 N. 31st Street, Suite 500)	
Billings, Montana 59101)	

Affirmed

Quanterra Alpha Limited Partnership (QALP) requested a State Director Review (SDR) of a decision of the Dickinson District Office (DDO), dated December 13, 1989 (Enclosure 1). The SDR request was received on January 4, 1990 (Enclosure 2), which requests that Communitization Agreement (CA) DK-38-14, which was approved February 15, 1984, and effective May 6, 1981, continue in full force and effect for 180 days from the date QALP received the DDO December 13, 1989, letter in order to allow the drilling of a replacement well.

On September 29, 1989, the DDO sent Union Texas Petroleum Corporation a certified letter (Enclosure 3) which requested justification as to why production had ceased on the CA. The certified letter was received by Union Texas Petroleum Corporation on October 3, 1989. On November 14, 1989 (Enclosure 4), QALP responded to the DDO's September 29, 1989, letter stating that the communitized well is incapable of producing paying quantities and that QALP had taken over operations of the well and planned on drilling a replacement well by the first week of December 1989. Enclosed in this letter was a copy of the Application for Permit to Drill sent to the State of North Dakota Industrial Commission for approval. On December 4, 1989, the DDO received a letter dated November 30, 1989 (Enclosure 5), from QALP who was designated as the new CA operator by the working interest owners. This letter also informed the DDO that the present communitized well was shut-in and, if need be, will be used as a salt water disposal well for the replacement well (SND-2-28X).

No drilling operations commenced within the first week of December of 1989 and no further correspondence had been received by the DDO from QALP. On December 13, 1989, the DDO, in accordance with 43 CFR 3107.2-2, notified QALP and required that if, within 60 days of receipt of the certified letter, reworking or drilling operations on the CA are not commenced and thereafter conducted with reasonable diligence during the period of nonproduction on the CA, the CA would be terminated.

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After reviewing all the correspondence, we must deny your request for an extension of 180 days to drill the replacement well. The regulations at 43 CFR 3107.2-2 specifies that if reworking or drilling operations on the CA are not commenced within 60 days upon receipt of the certified letter, the CA will be terminated. You must commence reworking or drilling operations by February 12, 1990 (60 days from the date you received the certified letter), or the DDO will take appropriate action to terminate the CA.

We, therefore, uphold the DDO's decision regarding the 60-day timeframe to commence reworking or drilling operations on the subject CA.

You have the right to appeal this decision to the Interior Board of Land Appeals, Office of the Secretary, in accordance with regulations in 43 CFR, Part 4, and Form 1842-1 (Enclosure 6). If an appeal is taken, your Notice of Appeal must be filed in this office so the casefile can be transmitted to the Board. A copy of your Notice of Appeal and any statement of reasons, written arguments, or briefs must also be served on the Office of the Solicitor as shown on Form 1842-1. It is also requested that you send a copy of any statement of reasons, written arguments, or briefs to the office issuing the decision appealed. In taking an appeal, there must be strict compliance with the regulations.

Sincerely

/s/ T.P. Lonnie

Thomas P. Lonnie
Deputy State Director
Division of Mineral Resources

6 Enclosures

- 1-BLM, DDO letter dated December 13, 1989 (2 pp)
- 2-QALP SDR letter dated January 4, 1990 (2 pp)
- 3-BLM, DDO letter dated September 29, 1989 (2 p)
- 4-QALP letter dated November 14, 1989 (3 p)
- 5-QALP letter dated November 30, 1989 (1 p)
- 6-Form 1842-1 (1 p)

cc: (w/o encis.)

District Manager, BLM, Dickinson, North Dakota